

Your Single Desk: The Impact of Full Deregulation

In examining the full-scale deregulation on grower returns Professor Gans and Hirschberg of the University of Melbourne found that:

- ▶ *The abolition of the current wheat marketing arrangements could see a reduction in grower returns of at least \$US134 million and as much as \$563 million.*
- ▶ *The 'buyer of last resort' provision in the wheat export arrangements ensures that AWBI cannot drive its purchase price down as growers are effectively guaranteed a payment reflective of AWBI's own revenues. For this reason, AWBI's monopsony power is perfectly regulated.*
- ▶ *The 'buyer of last resort' provision ensures that all of Australia's 36,000 wheat farmers have ongoing access to the export market.*
- ▶ *In the event of deregulation, even under a contestable market, access to international markets is likely to be controlled by market power at other steps of the vertical chain, particularly the large bulk handling companies.*

Market Outcomes (all US\$)

<i>Market Structure</i>	<i>Price Received by Growers</i>	<i>Reduction in Grower Returns</i>
<i>Single Desk</i>	<i>\$142</i>	<i>-</i>
<i>Monopoly</i>	<i>\$97.5 to \$115.5</i>	<i>\$563m</i>
<i>Duopoly</i>	<i>\$115.5</i>	<i>\$360m</i>
<i>Fully Contestable</i>	<i>\$133</i>	<i>\$134m</i>

NB: For detailed information on the calibrated model and Gans and Hirschberg's calculations please refer to the explanatory notes.

Source: Prof. J. Gans & J. Hirschberg